

# **THE OFFICE OF REGULATORY STAFF**

## **STIPULATION TESTIMONY**

**OF**

**DAVID C. PARCELL**

**May 3, 2010**



**DOCKET NO. 2009-489-E**

**South Carolina Electric & Gas Company  
Application for Adjustments and Increases in Its  
Electric Rate Schedules and Tariffs**

**TESTIMONY OF DAVID C. PARCELL****FOR****THE OFFICE OF REGULATORY STAFF****DOCKET NO. 2009-489-E****IN RE: APPLICATION OF SOUTH CAROLINA ELECTRIC & GAS COMPANY FOR  
INCREASES AND ADJUSTMENTS IN ELECTRIC RATE SCHEDULES AND TARIFFS**

**Q. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.**

**A.** My name is David C. Parcell. I am President and Senior Economist of Technical Associates, Inc. My business address is 1051 East Cary Street, Suite 601, Richmond, VA 23219.

**Q. PLEASE BRIEFLY SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE IN REGULATORY PROCEEDINGS SUCH AS THE PRESENT RATE INCREASE PROCEEDING INVOLVING SOUTH CAROLINA ELECTRIC AND GAS COMPANY.**

**A.** I have B.A. (1969) and M.A. (1970) degrees from Virginia Polytechnic Institute and State University (VA Tech) and a M.B.A. degree from Virginia Commonwealth University. Since 1970, I have been employed by Technical Associates, Inc. as a consulting economist and much of my work experience involves the preparation of cost of capital expert testimony in utility regulatory proceedings such as this one. I have prepared pre-filed testimony and/or testified in over 450 utility regulatory proceedings before some 50 state and federal regulatory commissions throughout the United States and Canada. A number of these proceedings were before this Commission.

1    **Q.     ON WHOSE BEHALF ARE YOU TESTIFYING?**

2    A.           I am testifying on behalf of the South Carolina Office of Regulatory Staff  
3                ("ORS").

4    **Q.     HAVE YOU REVIEWED THE COST OF CAPITAL PORTIONS OF THE**  
5               **FILING OF SOUTH CAROLINA ELECTRIC & GAS COMPANY ("SCE&G")?**

6    A.           Yes, I have. I have also reviewed and evaluated financial data on SCE&G, as  
7                well as SCANA, and have performed preliminary calculations of the cost of capital for  
8                SCE&G. Had the cost of capital issue in this case not been stipulated to by ORS and  
9                SCE&G as discussed below, I would have prepared cost of capital testimony on behalf of  
10              ORS.

11   **Q.     WHAT IS THE PURPOSE OF THIS TESTIMONY?**

12   A.           The purpose of my testimony is to provide my assessment of the proposed  
13                stipulation on the cost of equity for SCE&G in this proceeding.

14   **Q.     WHAT IS YOUR UNDERSTANDING OF THE STIPULATED COST OF**  
15               **COMMON EQUITY THAT ORS AND SCE&G HAVE AGREED TO?**

16   A.           ORS and SCE&G have agreed to a 10.7 percent cost of common equity.

17   **Q.     DO YOU BELIEVE THAT THIS 10.7 PERCENT COST OF COMMON EQUITY**  
18               **IS REASONABLE FOR SCE&G IN THE CONTEXT OF THIS PROCEEDING?**

19   A.           Yes, I do. As I indicated above, I have been preparing preliminary analyses of  
20                SCE&G's cost of common equity in the course of this proceeding. I have been and am  
21                currently involved in a number of electric utility proceedings throughout the United  
22                States. It is my belief that a 10.7 percent cost of equity for SCE&G lies within the "range  
23                of reasonableness" of equity returns for electric utilities at this time.

1 I also note that the proposed 10.7 percent cost of common equity should give  
2 some recognition to SCE&G's construction program, including its planned construction  
3 of two nuclear units over the next several years.

4 **Q DOES THIS COMPLETE YOUR TESTIMONY?**

5 **A.** Yes, it does.